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## Industrial Development Board

Seventeenth session

### SUMMARY RECORD OF THE 5th MEETING

Held at the Vienna International Centre, Vienna,  
on Wednesday, 25 June 1997, at 10 a.m.

*President:* Mr. I. POSTA (Hungary)

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*The meeting was called to order at 10 40 a.m.*

**FOLLOW-UP TO THE SEVENTH SPECIAL SESSION: DRAFT BUSINESS PLAN OF THE INTERSESSIONAL WORKING GROUP ON THE FUTURE ROLE AND FUNCTIONS OF UNIDO** (continued) (IDB.17/24 and Corr.1, IDB.17/25; IDB.17/CRP.5, IDB.17/CRP.7)

**FIELD REPRESENTATION** (continued) (IDB.17/9)

1. **Mr. HOBEICA** (Lebanon) said he felt optimistic about UNIDO's future as it had already made great progress towards reforming its organization and structure. Constructive dialogue appeared to have convinced both the developed and the developing countries that UNIDO was still an essential and useful organization and that work on modernizing it should be continued to enable it to fulfil its mandate of promoting the development of the developing countries. He believed that emphasis should be laid on three main sectors: the promotion of foreign investment in the developing countries, small- and medium-scale agro-industry and the training of manpower. The globalization of the economy meant that the weaker countries must be helped to avoid becoming victims of the stronger countries. It seemed inevitable that the budget would be cut, but care should be taken to ensure that sound programmes were continued. A 10 per cent reduction would appear to be reasonable but it would not perhaps be wise to undertake a larger reduction.

2. The new structure should include two consolidated departments, the first dealing with the budget, the staff and the regional offices and the second with technical assistance, including investment promotion and the promotion of sustainable industrial development. The creation of a post of deputy director-general would probably be of assistance. Decentralization was recognized as an important factor in sound administration today and was taking place in many international organizations. It led to field activities being more efficient as it enabled the real needs of beneficiary countries to be seen more clearly. Field representation should therefore be strengthened as much as possible.

3. His Government was seeking to promote foreign investment in industry and to strengthen national industry through banking and fiscal facilities and through training. It had recently set up a national agency to promote investment in Lebanon, laying stress on investment in industry. Beirut was the site of a UNIDO office and his country hoped that it would become the site of a regional office. Beirut was well located and had the facilities required. In addition, over 20 organizations, including UNDP, were represented there and coordination would

therefore be a simple matter. The Government had erected a special building in the centre of Beirut which would be the centre for the United Nations and other international organizations in the city, and a UNIDO regional office could be accommodated there. His country hoped its offer would be taken into account when the question of the location of regional offices was taken up.

4. The working groups and other consultation groups had made praiseworthy efforts to find solutions to current difficulties. He felt sure that those efforts would be crowned with success and would ensure the survival of UNIDO as an independent specialized agency playing an essential role in promoting industrial development.

5. **Ms. TOLLE** (Kenya) said that the draft business plan under discussion (IDB.17/25, annex) contained some very useful elements and would form a sound basis for further discussion of UNIDO's future. As presented, however, it entailed painful sacrifices for developing countries. It was the collective responsibility of the international community to prepare the developing countries to face the enormous challenges before them. UNIDO could not do everything but, by promoting industrial development, it could contribute usefully to tackling the problems of global warming, desertification, pollution, and immigration and other problems having cross-border and intercontinental implications. The difficulties confronting the Organization made it imperative that steps should be taken to reorient its activities and streamline its management. The efforts already made must be continued but the measures taken should not be such as to make it impossible for the Organization to discharge its mandate.

6. She did not agree with the suggestions in the draft business plan regarding industrial human resource development and privatization. It was important that developing countries should be equipped with skills that would enhance the sound management of human and natural resources. That would serve to reduce excessive dependence and, at the same time, lessen the financial burden for the developed countries. Market forces would prevail over past policies during the next millennium and the private sector would be called on to play a leading role. The public sector was expected to retreat, and yet it was supposed to continue to shoulder the social responsibilities of the past. Both the private sector and the public sector had a part to play and, if serious mistakes were to be avoided in the privatization process, UNIDO must continue to assist the developing countries, especially the least developed countries (LDCs), sub-Saharan Africa and countries in transition.

7. UNIDO had made significant contributions to development and deserved an adequate and reliable flow of financial resources. Although some countries faced considerable financial difficulties, piecemeal payment of contributions could only aggravate UNIDO's situation.

8. The UNIDO Liaison Offices in Geneva and New York had served as very useful contact points for several missions, and it was to be hoped that the arrangements would be maintained until countries such as her own were able to have full resident offices in Vienna. Moreover, it would be logical for UNIDO to have an office in Nairobi as well.

9. UNIDO's financial problems continued. In discussing the budget, the Board should be guided by the wish to build a stronger Organization, and it might usefully seek the views of the Secretariat on the reform process. In document IDB.17/CRP.7, the Secretariat had put forward preliminary budget estimates for 1998-1999 based on two scenarios; of the two options, the 10 per cent budget reduction appeared to be the more realistic.

10. She strongly supported the policy of decentralization to the field and called for consultations with Member States to begin so that the location of regional offices might be determined rapidly. The existing UNIDO Country Director (UCD) offices should be maintained where practical under the envisaged arrangement whereby host countries would be expected to make significant contributions to their operating costs.

11. **Ms. KING-AKERELE** (United Nations Development Programme) said that UNIDO was clearly at a critical juncture, grappling with a greatly changed environment for technical cooperation, an environment in which aid was constantly growing scarcer with emphasis being placed on trade and investment. She had noted the considerable cooperative effort that had gone into drawing up the draft business plan.

12. In the area of economic and technical cooperation among developing countries (ECDC/TCDC), UNDP had found that South-South transfers of technology were often the most appropriate for Africa's needs because they involved inputs from other, similar regions. For example, under a major UNDP cooperation activity—a TCDC exercise for matching capacities and needs—countries offered expertise they had developed in particular fields to other countries needing to acquire it. UNDP had organized five such exercises in Africa, most recently in Nigeria, Uganda and Zimbabwe. They had led to the adoption of some 180 projects for implementation under TCDC. There was clearly scope for collaboration between UNDP and UNIDO in that area.

13. Increasing opportunities also existed for collaboration between developing countries and countries in transition, for example in the fields of rehabilitation and reconstruction in post-conflict situations. She referred in that connection to reconstruction efforts in Central Africa and in Bosnia and Herzegovina. In the case of Rwanda, an urgent request had been made for a UNIDO high-level mission in the area of small-scale industry. The request had been made in early May and a response was awaited.

14. The areas identified for the concentration of activities were all of particular interest to UNDP in view of its interest in sustainable human development and poverty alleviation.

15. Regarding the delegation of authority and strengthened field representation, she had been pleased to note that the draft business plan called for further delegation of authority. With regard to field representation in the context of a unified United Nations representation, she drew attention to UNDP's subregional resource facilities (SURFs) which would be made operational shortly. They were designed to provide technical backstopping for UNDP's country offices, including backstopping in strategic policy and programme formulation, implementation and monitoring. Several such facilities would be set up in the various regions, with varying thematic combinations.

16. UNIDO might wish to explore the UNDP approaches in the context of unified United Nations representation. That might, she believed, be in line with the suggestion that UNIDO improve functional and programme coordination between its field representation and that of other agencies.

17. **Mr. DE MARIA Y CAMPOS** (Director-General) thanked all the delegations that had emphasized their commitment to UNIDO. He had especially welcomed their expressed willingness to strengthen and continue the work of UNIDO in the future. Recent years had certainly not been easy for the Director-General or the Organization, and the guidance offered by Member States had been and always would be of great value to the Secretariat in general. He had welcomed the suggestion made by several speakers to the effect that all concerned in the reform process should be informed of the views of the Secretariat. He believed that that would be of importance both for Member States and the Secretariat in their efforts to move forward. It was his duty as Director-General to say what could not be done and what could be done in the light of experience gained, taking into account Member States' wishes whenever possible.

18. The draft business plan illustrated Member States' commitment to UNIDO and it was for the Board now to see how it could serve the interests of UNIDO, against the background of the will to reach compromise solutions on the part of developed and developing countries alike. There seemed to be a general wish for a clearer focus in programme activities, although there were differences of opinion on which sectors should be chosen. Many representatives had spoken of the need to maintain UNIDO's universality. Some of the points in the text needed clarification so that there could be no room for misunderstanding.

19. No one would deny that human resource development was of particular importance for development. Technological advances raised constant challenges for both the developed and the developing countries, calling for a strong human resource development programme. It had been proposed that the programme be eliminated. He personally believed that the function must at least be maintained, possibly through the setting up of a focal point at a policy level for human resource development activities. He hoped that the human resource development programme would be retained; it seemed in line with the wishes of Member States, some of which wished to make specific contributions to it.

20. With regard to organizational structures, there seemed to be a clear preference for an organization with three divisions or three managing directors, half as many as at present. It was for the Board to decide, but he believed that it would be extremely difficult in terms of management for UNIDO to work effectively if such a structural change were made. Top management was required to travel a great deal—Member States asked it to—and it would be extremely difficult to undertake missions to the field and run the Organization with only three managing directors.

21. As regards the budget, he regretted that it had been impossible due to lack of time to provide all the details desired; revised documents would be made available as rapidly as possible. Turning more specifically to the two scenarios submitted, he noted that some Board members would wish the reduction in the budget to be less than 10 per cent while Japan had proposed 30 per cent. Careful studies by the Secretariat had shown that a 10.75 per cent reduction could be made with streamlining and budgetary cuts; it would involve great sacrifices and would lead to a reduction in UNIDO's activities. No organization could do more with fewer funds. The 20 per cent scenario would involve significant cuts being made in substantive programmes. Cuts across the board could not be made in practice meaning that cuts would have to be made in specific programmes. A 20 per cent budget cut would have very serious consequences. As for the 30 per cent cut proposed by Japan, he had already given

his considered opinion that any budget reduction exceeding 20 per cent would jeopardize the relevance of UNIDO. In that context, he referred to paragraph 61 of document IDB/S.7/2 on the future of UNIDO.

22. On the question of field representation, he said that it would be very difficult to keep the 20 subregional offices approved the previous year if 10 per cent, 20 per cent or even 30 per cent cuts were imposed. With regard to available resources, in the 1996-1997 budget seven Country Director posts were financed under the regular budget and 10 under the operational budget. UNDP had financed over 40 per cent of Country Director posts, and those resources would not be available the following year. His most optimistic estimate was that a 10 per cent cut would allow for a maximum of 17 offices and a 20 per cent cut for a maximum of 14, depending on what resources were finally made available. In any case, early progress must be made on the question of field representation. He welcomed various countries' offers to support the establishment of the regional offices. Pilot programmes had already been undertaken and, in consultation with the regional groups, consideration was now being given to the most suitable locations for those offices.

23. Two points raised at the previous day's meetings had given him cause for concern. In his statement at the fourth meeting on behalf of the Asian Group, the representative of India had asked that all recruitment, promotions and separations should stop. He did not see that the future organization stood to gain anything from such an approach. Even the Staff Council, fighting to retain jobs, recognized the need for recruitment in certain highly technical fields. Furthermore, UNIDO was actually faced with the diametrically opposite staffing problem: valuable staff members were already leaving the Organization, having been offered more favourable contracts elsewhere; and posts were proving difficult to fill as a result of news of budget cuts and rumours that the Organization was about to close down.

24. In response to the query from the representative of Turkey, he said that since the Board's sixteenth session four persons had been recruited externally at Professional level, all of them for specialized work. Two managing directors and one other staff member had also arrived since that date; but in all three cases the relevant commitments had already been agreed earlier. Some consultants had also been recruited in connection with projects, as was inevitable in a large organization. Nevertheless, it could be seen that recent recruitment was very limited. As for ongoing recruitment, 12 posts were currently advertised but had not been filled. Furthermore, some projects under the Montreal Protocol would have to be discontinued unless food, refrigeration and civil engineering specialists were recruited.

25. As for senior management, two posts, in the areas of external relations and of country programmes and funds mobilization, were pending. The latter post involved a decision on a short-list of African candidates. Africa was not represented at the highest level: the question was, however, whether the Organization could afford to recruit another managing director externally in the prevailing climate, or whether the problem could be resolved through recourse to some other mechanism.

26. As for separations, there had been many separations as a result of decisions taken by Member States, and they would continue in the future. Decisions regarding separations were among the most painful tasks that fell to a Director-General. He could give assurances that no arbitrary decisions would be taken in that regard; but, as in the past, he would not flinch from taking decisions to separate staff members where corruption, poor performance or improper conduct were involved. That was one aspect of the mandate conferred on him and, in the best interests of the Organization, he would need the full support of Member States in that regard.

27. **Mr. CLERISME** (Observer for Haiti) said that the fact that there were candidates for the post of Director-General from the transitional countries supported by developed countries, and also candidates from developing countries, was a welcome sign that all tendencies within the Organization took an interest in its future.

28. With regard to the draft business plan, while accepting that the concept of a business plan might help reduce wastage, his delegation feared that too much stress on such an approach might be detrimental to the Organization's ultimate objectives, namely the industrial development of developing countries and help for countries in transition. It supported the field representation project as an approach designed to focus activities on a regional and subregional basis, without confining them to the agro-industrial sector. While supporting the plans to reform and revitalize UNIDO, his delegation believed that the new Director-General must be a candidate familiar with the industrial sector, with the problems of the developing countries, and with those of the Organization itself, who could thus be an effective force from the moment he took office. The example of Mr. Kofi Annan, Secretary-General of the United Nations, showed the wisdom of such an approach. Geographical considerations must not be the only criterion for selection of a new Director-General: the task was to elect, not a region nor a State, but a person capable of saving UNIDO in the difficult current circumstances. His delegation thus proposed that the Board should prepare a profile of the post before electing a candidate, and that candidates should be invited to submit their

programme and their vision of UNIDO before the elections.

29. **Mr. ABOUZEID** (Egypt) thanked the Director-General for his full and frank statement on the field representation programme. Reiterating his country's support for the programme, he said that Egypt would be happy to host a regional office and was ready to engage in consultation with neighbouring Arab States on that subject.

30. **Mr. CELSO DE OURO-PRETO** (Brazil), speaking on behalf of the Group of 77, said that practically all the delegations in the Group had supported the draft business plan and that, most unusually, a debate on reform had taken place without any real confrontation. However, he noted with concern the proposals by some delegations for budgetary reductions that the Group of 77 continued to regard as excessive.

31. **Mr. KHALIL** (Tunisia), speaking on behalf of the African Group, noted that the draft business plan commanded general support. The specific question of whether the figure for the reduction should be 10 per cent, 20 per cent or 30 per cent was best left until the budget prepared by the Secretariat was considered by the Programme and Budget Committee (PBC) in September 1997.

32. **Mr. BARRIOS SUVELZA** (Observer for Bolivia), speaking on behalf of the Latin American and Caribbean Group (GRULAC), said that his Group was deeply concerned to note that, when a consensus seemed at last to have been reached that budgetary cuts should fall within a 10 per cent to 20 per cent range, new proposals were now being made for a 30 per cent scenario, despite the fact that reductions of above 20 per cent had been shown to be unviable and that, since the withdrawal of the United States of America from the Organization, it had been faced with cuts of almost 50 per cent. GRULAC also had confidence in the Director-General's competence to take decisions on staffing matters, and believed that it would go beyond the bounds of legality to tie his hands in this respect during the period of his mandate.

33. **The PRESIDENT**, summing up the general debate on agenda items 6 and 16, said that there seemed to be general support for the business plan prepared by the intersessional working group, with no participant objecting to the plan as such. In particular, there had been unanimous support for the focusing of activities in two clusters: strengthening of industrial capacities, and cleaner and sustainable industrial development. An overwhelming majority of speakers had expressed their readiness, as an exceptional measure and in view of the economic and financial circumstances, to accept the

proposed list of discontinued activities, although delegations had emphasized that discontinuation of activities was generally undesirable and would have a negative impact on the work of the Organization.

34. There had been unanimous support for the geographical, sectoral and thematic concentration proposed in the business plan. Members of the Board seemed to agree that the future budget of the Organization should be prepared on a programmatic basis. The proposed new organizational structure, with two substantive divisions and a third component dealing with administration and support services, and with the head of one of the three components designated to act as deputy to the Director-General, had received wide support. There had also been support for a decentralized and strengthened network of field representation ensuring better coordination with Headquarters, with other agencies, and among the offices themselves.

35. On the budget, while there had been an understanding of the need to take into account pressing budgetary constraints when determining the budget frame of the Organization, it had been stressed that budgetary cuts were not an aim of the exercise. At the same time, reducing the budget had a certain importance in that it demonstrated Member States' determination to economize on resources and utilize them better, and proved that the Organization was operating more efficiently. That was an important condition for securing the political and financial support of the donor community for the future.

36. Differing views had been expressed on the indicative figure of the budget ceiling. Some countries had emphasized their willingness to request the Secretariat to prepare a budget proposal based on a 10 per cent budgetary reduction; others had proposed 20 per cent cuts; and one delegation had strongly argued for a 30 per cent cut. The common understanding had been that the final decision on the programme and budget should be based on a comparison in substance of the various budget proposals. In that process, special attention should be paid to determining at what level of cuts the Organization would lose the critical mass of its expertise.

37. Some additional issues had been raised, for further consideration and possible inclusion in the business plan. They included: the possibility of redeploying financial resources to other objectives; the possibility of further savings in the field of administration; intensification of the dialogue with the Secretariat during the implementation of the business plan; and elaboration of a scheme to determine performance indicators with which to measure progress in implementation of the plan. Some of those proposals had met with considerable support.

38. As the support shown for the business plan as a whole was the result of delicate compromises, he wished not to reopen the general debate on the document as a whole. Instead, he proposed initiating a short continuation of that debate in plenary, focusing, item by item, on three concrete issues on which there had been differing opinions, with a view to providing clear guidance for the informal consultation proceedings. Those three issues were: the budget ceiling and the differing views concerning the budget proposals requested from the Secretariat; the mechanism for intensifying the dialogue with the Secretariat; and the proposal to establish performance indicators with which to measure progress in implementation of the plan.

39. **Mr. KHALIL** (Tunisia), speaking on behalf of the African Group, urged that, on the basis of the business plan and the points of agreement concerning UNIDO's future role, the Secretariat should prepare the budget, which could then be considered in detail by the PBC and at the special session of the Board following the PBC session.

40. **Mr. BOURITA** (Morocco) agreed. He said that the proposal to work on the basis of scenarios had been adopted solely with a view to achieving consensus. It should now be possible to put together a budget on the basis of those elements of the business plan on which there was general agreement.

41. **The PRESIDENT** asked whether the Board wished to retain the business plan in its present form or to redraft it so as to take account of the proposed 30 per cent budget reduction scenario. He asked for members' views on that specific issue.

42. **Mr. IKEDA** (Japan) said that he had proposed a 30 per cent budget reduction as one of the three scenarios because of concerns expressed by some Member States; in his view it was important to be realistic and flexible in addressing major issues in a spirit of frankness, and that would ultimately assist the Organization. If the Secretariat found that it was technically impossible to add a third scenario, his advice was that the Board, following informal consultations, should prepare three scenarios, on the basis of which the PBC should make a final decision at its September session. It was not essential that the draft business plan be amended at the present time.

43. **Mr. BOURITA** (Morocco) thought that the Secretariat should be asked whether it would be technically possible to prepare three detailed scenarios in the time available.

44. **Mr. DE MARIA Y CAMPOS** (Director-General) said that it would be possible from the technical point of

view but it would take extra time. Establishing each scenario implied a tremendous effort in terms of considering the structures that could be maintained. The 20 per cent scenario would already be difficult to combine with the proposed business plan. The 30 per cent scenario would be extremely difficult to produce under the proposed business plan and entire areas of activity would have to be eliminated. If the Board instructed him to submit such a scenario, it would be done, but all the implications would have to be presented.

45. **Mr. FÖRSTER** (Netherlands) said it was important that the Board at its current session should agree on the programme and activities of the future UNIDO; decisions on the budget were for later. He would have preferred to have an agreed overall programme first and then various scenarios developed on the basis of a programmatic approach. What had happened had been the reverse, and scenarios had bred other scenarios. The various options proposed by Member States now had to be examined, and if the Secretariat needed time to prepare programmatic budgets based on the scenarios, the PBC could give the matter initial consideration at its September session and then hold another session later. In any event, it would be essential to draw up a sound budget before the next session of the General Conference.

46. **Mr. CELSO DE OURO-PRETO** (Brazil) said he thought that there had been agreement on the draft business plan; if the 30 per cent scenario were accepted the business plan would have to be completely changed and would lose its value. In effect, nothing would have been decided at the present session and the Board would have to start again from the beginning and convene another working group.

47. **The PRESIDENT** said that the draft business plan had not yet been approved by the Board. The Board could give a clear mandate to the informal consultations for the redrafting of the relevant paragraph of the draft business plan to include a request for the Secretariat to prepare a third budget reduction scenario.

48. **Mr. BREITER** (Switzerland) said that his delegation had always favoured the establishment of a budget on the basis of the objectives that were to be achieved. That approach had not been adopted, and it had decided that a reference to 10 per cent and 20 per cent budget reduction scenarios should be introduced into the draft business plan. It should be left for the PBC to consider the details.

49. **Mr. KHALIL** (Tunisia) said it was his understanding that, apart from the paragraph referring to the possible budget reductions of 10 and 20 per cent, the draft business plan was agreed.

50. **The PRESIDENT** said that the draft business plan would be adopted only at the end of the present session, after possible amendment by the Board following the informal consultations.

51. **Mr. BARRIOS SUVELZA** (Observer for Bolivia), speaking on behalf of the Latin American and Caribbean Group, supporting the statement made by the representative of Brazil, said it would be illogical to undertake a budget exercise based on a 30 per cent reduction if such a reduction might mean that the Organization was going to have to reduce even more activities than those agreed upon in the intersessional working group. There was nothing to stop the Board requesting 40 per cent or 50 per cent budget reduction scenarios, but when such an exercise was undertaken the work that had been done in terms of focusing UNIDO's activities was invalidated. For purely practical reasons, the Board should adhere to the consensus reached and consider budget reductions in the range of 10 to 20 per cent. Some GRULAC countries assumed that the topic of field representation would also be discussed along with the budget scenarios.

52. **Ms. LAJOUS VARGAS** (Mexico) noted that, although the Director-General had said that drawing up a 30 per cent scenario was feasible, he had also indicated that such a budget reduction would mean that the proposed business plan could not be implemented. The Board should choose between approving the draft business plan or considering a 30 per cent budget reduction as an alternative.

53. **Mr. SANUSI** (Nigeria) observed that the President, in his summary, had been silent on the issue of the industrial human resource development programme, which had been strongly supported, *inter alia*, by the Conference of African Ministers of Industry at its recent meeting.

54. **Mr. PALACIOS CEVALLOS** (Ecuador) agreed with the concerns expressed by the representatives of Brazil and Bolivia; no one was interested in a budget scenario that would prevent the Organization operating at all. Consideration should be given to the various alternatives, as well as to the question of field representation.

55. **Ms. KLEIN BALLESTEROS** (Colombia) said that the view of most Member States was that UNIDO's budget should not be reduced by more than 10 per cent. However, the intersessional working group had agreed to envisage a budget reduction scenario of 20 per cent. It would now be more profitable to request the Secretariat to prepare a budget on the basis of a scenario that took account of reductions resulting from withdrawals announced by certain Member States. The Organization faced possible withdrawals by the United Kingdom,

Australia and Germany, and a possible reduction in its level of voluntary contributions by Japan.

56. **Mr. HALIM MOHAMED** (Sudan) supported the view that the question of budget reductions should be dealt with by the PBC within the limits of the 10 and 20 per cent indicative levels. All the studies carried out so far had been on the basis of those figures and, taking into account the indication by the Director-General that a budget reduction greater than 20 per cent would be very difficult to implement, the final decision should be taken by the PBC on the basis of the existing two scenarios.

57. **Mr. ABOUZEID** (Egypt) said that the programmes and activities which the Board agreed should continue in the future UNIDO had to be reflected in financial terms. A 30 per cent reduction in UNIDO's budget would mean that there would be a serious risk of the Organization having to close altogether.

58. **Mr. IKEDA** (Japan) said that the Board and the PBC had to decide at what level of budget reduction the Organization's critical mass was lost. He did not agree with those who argued that 30 per cent was too high and 10 per cent was acceptable. Board members simply did not have the data yet upon which they could make such judgements, and that was why he was making a serious proposal that the Secretariat prepare a third scenario. The Director-General had said that a 30 per cent budget reduction would mean that some fundamental programmes would have to be cut, but which programmes? So far no substantiated figures or programmes had been presented by the Secretariat. The Director-General had said that a 20 per cent budget reduction would mean cutting 14 regional offices; how many regional offices would have to go if the budget reduction were 30 per cent?

59. **Mr. ZAIDE** (Philippines) said that if the Secretariat presented a 30 per cent scenario it might even help Board members to see the light and to realize that maybe certain budget reductions were possible and others were not.

60. **Mr. DE MARIA Y CAMPOS** (Director-General) said that scenarios for budget reductions of 10 and 20 per cent could certainly be produced by the beginning of August 1997, but a third scenario would require extra work and there were not many staff members available to do it. Nevertheless, if Member States requested it, it would be done. With the 10 and 20 per cent scenarios it was possible to finance the activities mentioned in the draft business plan, but if there were across-the-board reductions it might well not prove worth while to keep some activities going. Beyond 20 per cent, the problem became very serious and, as the representative of Japan had stated, consideration would perhaps have to be given

to the wholesale elimination of certain activities, such as investment promotion or all activities in support of sustainable development or field representation. Options could certainly be presented within the various scenarios, but Member States would have to face the reality that big cuts in programmes would have to be made.

61. **Mr. MAYRHOFER-GRÜNBÜHEL** (Austria) said that the substantive part of the draft business plan—the activities to be continued—seemed to be agreed and the discussion thereon should not be reopened. What was under discussion was the non-substantive part dealing with budget and structure. If the Board was able to agree on the content of UNIDO's future activities, the proposal made by the representative of Japan could be understood as a proposal for an examination of how they could be implemented under three different budget reduction scenarios. Acceptance of the budget reduction scenarios would then depend on their compatibility with the substantive part of the draft business plan upon which agreement had been reached.

62. **Mr. IKEDA** (Japan) said that his delegation had no objection to the first part of the draft business plan and UNIDO should pursue it. However, the Secretariat should be very honest and serious in preparing its scenarios and should not, for example, present one which dropped the environmental element altogether. He expected the Secretariat to make strenuous efforts to cut and streamline its administration and other activities.

63. **The PRESIDENT** asked whether that meant that the 30 per cent scenario should be based on the assumption that the various fields of activity which had been outlined as activities to be continued by the future UNIDO would be reduced proportionately and not in a way that resulted in the elimination of entire fields of activity. Was the aim to see whether it was feasible to undertake the 30 per cent cuts proportionately without losing the critical mass of the Secretariat staff?

64. **Mr. IKEDA** (Japan) said that that was the case, but the cuts did not have to be strictly proportional. The Secretariat might wish to streamline certain activities, such as the holding of conferences, more than others.

65. **Mr. PUCCIO HUIDOBRO** (Observer for Chile) said that a possibility would be to produce 10 different scenarios ranging from a 10 per cent reduction in the budget to a 100 per cent reduction. That would compel delegations to ask themselves whether they had been sent by their Governments to decide how to cut UNIDO's budget as a goal in itself or to look at the budgetary problems from the perspective of ensuring the greatest efficiency in meeting the objectives with which Member States had entrusted UNIDO.

66. **Mr. DE MARIO Y CAMPOS** (Director-General) said that the Secretariat intended to make very serious proposals, and under each scenario would endeavour to maintain what activities it could. However,

there were some activities which could not simply be cut in half. On the environment, for example, it would not be possible to decide to respond to some parts of the Montreal Protocol and not to others.

*The meeting rose at 1 p.m.*